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SIPDIS

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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [IC](#)
SUBJECT: INDEPENDENCE PARTY LEADER SEEKS MEETING WITH WHITE
HOUSE TO DISCUSS IMF

Classified By: CDA SAM WATSON FOR REASONS 1.4 (B) AND (D)

1.(C) Summary. Charge d'Affaires (CDA) met Bjarni Benediktsson, leader of the opposition Independence Party, to discuss a range of issues on November 11. Benediktsson was eager to discuss a letter that he had sent recently to the National Security Council (NSC) requesting a meeting with a senior White House official. Were he to receive such a meeting, Benediktsson said he would express outrage with how the IMF was used as a tool against Iceland in the Icesave dispute. He also would like to talk about future opportunities for bilateral cooperation between Iceland and the United States. End Summary.

Frustration with the IMF,s Role in Icesave

12. (C) Charge d'Affaires met opposition Independence Party Chairman Bjarni Benediktsson to discuss a range of issues on November 11. Benediktsson said that one reason he hoped to meet a high ranking official from the White House was to express frustration with the role the IMF played in the Icesave dispute. He opined that the Icesave matter was, originally, an issue that involved only the Governments of Iceland, Great Britain and the Netherlands. The dispute among the three countries, he said, centered on whether the Icelandic government must serve as guarantor for British and Dutch depositors that lost money when the Icelandic banking system collapsed. There was no EU legislation, according to Benediktsson, that obligated Iceland to act as such a guarantor and legal precedents on the topic were murky at best. Great Britain and the Netherlands, he said, understood that they were not operating from positions of strength and brought the IMF into the equation to force Iceland's hand. The threat of withholding IMF loans until the Icesave dispute was resolved was used to force the Government of Iceland to capitulate. It was, he contended, a great misuse of the IMF and completely unfair to Iceland.

13. (C) Benediktsson suggested that, at this point, the best thing that could happen for the Icelandic people would be for the measure to fail in a Parliamentary vote. The British and Dutch would then, he said, be forced to sue the Government of Iceland and seek compensation via the courts. A legal solution would, he felt, be more preferable than the negotiated settlement that is being thrust on the people of Iceland. Benediktsson added that if the British and Dutch did not feel comfortable pursuing the matter via Icelandic courts, he would be happy to suggest that the issue be resolved by a tribunal of independent judiciaries. He even suggested that a U.S. Supreme Court Justice could play a role as an arbitrator in the proceedings.

14. (C) Bendiktsson said that, in an attempt to force the issue into the courts, he intends to oppose the

government-sponsored Icesave bill when it comes up for a vote in Parliament. (Note: Benediktsson, along with most of his opposition Independence Party colleagues, abstained when the previous law was passed in August. End note). He acknowledged, however, that the coalition government probably had the votes necessary to pass the measure through parliament. He also admitted that, were he to have his way and the bill fail in parliament, it could further stall Iceland's recovery efforts. It would certainly mean no further loans from the IMF and, without that cash inflow, the government would be unable to lift its capital control restrictions and would likely have to issue Euro bonds to raise the necessary capital. He also said he was not anxious to assume leadership of the government, but preferred to remain in opposition until after the May 2010 municipal elections to benefit candidates from his party.

Increased Bilateral Cooperation with the U.S.

15. (C) Benediktsson also hoped to discuss with the White House ways to promote bilateral discussion and cooperation between the United States and Iceland. He said that when the U.S. withdrew from the Keflavik Air Base in 2006 it created a public perception that the relationship between Iceland and the United States was deteriorating. This perception, he suggested, has only been enhanced with Iceland's recent application to join the European Union. Benediktsson acknowledged that the Strategic Dialogue allows for annual high level meetings between U.S. and Icelandic government officials. He felt, however, that even more dialogue was necessary. Benediktsson was somewhat vague with suggestions on how to accomplish this but suggested that the Parliamentary

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Foreign Affairs Committee visit the United States. He then asked whether, considering Iceland's current financial problems, there might be some U.S. financing available to facilitate such a trip. (Note: Benediktsson later sent CDA a follow up email expressing continued interest in meeting with an official from the White House even if he came alone. End note.)

16. (C) Comment: Benediktsson continues to seek a meeting with a high-ranking White House official to discuss increased cooperation and the IMF vote even though IMF board review vote is long past. His request may be a political ploy designed to embarrass his opponents in the government and make waves in the media. On the other hand, it could also fit into the agenda of his Independence Party, an organization which has traditionally supported strong ties with the United States and fiercely opposes Iceland's application to join the EU. Given his proposed solution on Icesave, namely send it to the courts, his angle appears more likely political than economic. End comment.

WATSON